



From the Minister

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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

26 October 1984

PRIME MINISTER

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MISC 106: R & D EXPENDITURE

attached
At the request of the Ministerial Group on Public Expenditure I have been sent a copy of your private secretary's letter of 15 October to the Lord President's private secretary covering the comments you received from the Chief Scientific Adviser on agricultural R & D.

In view of the importance of the contribution which agricultural R & D has been making not only to the efficiency and competitiveness of our farming industry but also to the major public interests which are unavoidably involved I read Dr Nicholson's comments with considerable concern since they neither brought to attention some highly relevant matters nor offered any considered justification for the conclusion that public expenditure on agricultural R & D should be massively and precipitately cut back. I should like to repair these surprising omissions.

I should first point out that MISC 100 did not recommend as Dr Nicholson implies that my department's expenditure on R & D should be halved. This option was put forward by the Treasury but it was not derived from any in depth study of the current programmes of work nor of the consequences of such a drastic cut back. It was associated with the concept of industry financing to allow the reduction to be made up at least in part. And the group also reported that the agricultural departments opposed a reduction in the scale of R & D for well considered reasons to which I refer below.

Of the total projected expenditure by MAFF in 1985/86 of £127 million listed in paragraph 3 of Dr Nicholson's minute only £97 million relates to agriculture the remainder to fisheries, food etc: of this some £86 million falls in the category defined as improving technology to which Dr Nicholson's comments are primarily directed. Some 40% of this expenditure on agricultural R & D is incurred by ADAS but the larger part is work commissioned by my department mainly with the AFRC.

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I should also point out that the option to halve expenditure on agricultural R & D also relates to the significant research commissioned by DAFS in Scottish institutes.

The category defined as "improving technology" in fact is concerned not only with farming productivity as such: a substantial part is directed to environmental problems, human health and safety, food quality, animal health and welfare, the prevention of damage to soils - all aspects of great public importance. The absence of any reference to this is a serious omission in Dr Nicholson's comments.

Moreover it is in my view simplistic to conclude that just because we need to curb the growth of agricultural output for those products which are in surplus, the requirement for R & D will fall off substantially. In the period ahead which will involve difficult adjustments the industry must continue to take up new technology and maintain its record of improved productivity if it is to remain viable and maintain its competitive position within the EC. As cost/price margins are squeezed the need, for example, to reduce input costs will become more pressing. Given the shock they have suffered over milk and the readiness of the industry - as shown by the recent NFU document - to adjust, they will understandably look to the Government to help in this process. And in the wider area of public interests, the pressures on the R & D programmes will increase through for example the growing concern about the impact of some farming practices and the impact on farming of other aspects of the environment.

I must make it clear that I am in no way arguing against necessary changes of direction, and nor has my department. I made PES cuts on R & D last year and have offered still larger cuts to MISC 106 this year. I am looking to the Priorities Board for advice on what changes in the level and distribution of effort should be made. I am also intending to ask them to advise on the best way to achieve increased industry funding. I have no reason to suppose that, with Ken Durham in the chair, they will not set about that task with a will, but given the structure and fragmented nature of the industry real progress will take time.

I am willing to make these painful changes. But what I cannot accept is the arbitrary conclusion that the overall level of resources deployed, as distinct from the make up of this programme, is far too high. The comparisons which have been made with other countries are suspect. But in any case it must be quite wrong for the Government to decide on precipitate, large cuts unsupported by in-depth examination of requirements and well based implementation plans.

The abrupt termination of work in which much money has been invested before the programmes are completed cannot represent value for money. High levels of redundancy,

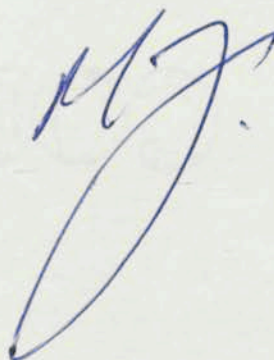
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and wide spread closures, would be involved for the scientific establishments concerned in England and Wales and Scotland. In his letter of 3 August, Keith Joseph asked that the full financial, administrative and political implications of large cuts in the Agricultural Departments contracts with the AFRC which would be unavoidable if the option Dr Nicholson supports - is pursued - should be considered by Ministers collectively before final decisions are taken. I certainly endorse this view.

As regards the rest of ADAS, I shall shortly circulate a draft statement welcoming the general thrust of Professor Bell's report including the case for charging for advisory work. But I believe the chances of securing the co-operation of the industry, and our own supporters, will be seriously prejudiced if we attempt to decide just what can be done and how, before we have carried out the necessary consultations.

I am copying this to the members of MISC 106, to the Secretary of State for Education and Science, the Secretaries of State for Wales and Northern Ireland, and to Sir R Armstrong.

A handwritten signature in blue ink, appearing to be 'MJ', with a large, sweeping flourish underneath.

MICHAEL JOPLING

